

Appendix E

How to Procure an Audit

- If contract managers need to procure an audit, this information may be helpful in that process.

How to Procure an Audit

When necessary, contractors typically select and hire auditors to audit their programs. Contract managers may want to be aware of factors to consider when assisting a contractor with selecting an auditor. A sound procurement process should consider these selection criteria:

- Responsiveness of the bidder to the request for proposals;
- Past experience of the bidder;
- Availability of bidder staff with professional qualifications and technical abilities;
- Results of the bidder's external quality control reviews; and
- Price.

To comply with OMB Circular A-133, which governs audits of expenditures of federal funds, a government entity must consider audit quality factors in addition to the above factors.

Steps to consider when procuring an audit:

1. **Planning:** Define the entity to be audited, the scope of the audit, and determine specific audit requirements. Decide on the appropriate audit standards and how to evaluate prospective auditors, identifying attributes necessary in an auditor.
2. **Soliciting Proposals/Communicating Audit Requirements:** A written proposal to solicit bids should be clearly written, set forth all terms, conditions and evaluation criteria as well as the scope of work required. Encourage full and open competition.
3. **Selecting a Qualified Auditor:** Screen bidders for minimum standards, and then evaluate both the technical criteria and the price proposals.
4. **Writing the Agreement/Documenting Expectations:** Both parties should agree in writing on important audit related matters. The written contract should clearly specify the audit scope, objective and purpose; deadlines for work to be performed; audit cost; report format; type and timing of support to be provided to the auditor by the entity; and professional auditing standards to be followed in performing the audit.
5. **Monitoring the Audit to Ensure a Quality Audit:** Monitoring the progress of the audit is the most effective way to ensure receiving both the type and quality of audit service specified in the contract.

Further information on this issue can be found in OMB Circular A-133 at <http://www.whitehouse.gov/OMB/circulars>.

Another source of information is the guide "Choosing an External Auditor" found at http://www.auditforum.org/mid_america/midam_exauditor.htm.

Additionally, the Department of General Administration, Office of State procurement, has awarded master personal service contracts for auditing services. State agency staff can use these contracts by conducting a second tier competition to select the auditing contractor. Be sure to check your own agency internal policy about using these contracts. Further information can be found at <http://www.ga.wa.gov/pca/Ps2/>.